



Chamber of Commerce HAWAII

The Voice of Business

**Testimony to the House Committee on Economic Development & Business
Tuesday, February 3, 2015 at 9:00 A.M.
Conference Room 312, State Capitol**

RE: HOUSE BILL 1069 RELATING TO TECHNOLOGY

Chair Kawakami, Vice Chair Kong, and Members of the Committee:

The Chamber of Commerce of Hawaii ("The Chamber") **strongly supports** HB 1069, with requested amendments. HB 1069 authorizes HTDC to provide grants to businesses with a federal small business innovation research phase II or III award.

The Chamber is the largest business organization in Hawaii, representing over 1,000 businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

The High Technology Development Corporation (HTDC) has offered assistance to Phase I SBIR awarded companies since 1989; as a result, Hawaii companies have attracted 20 federal dollars in return to the state plus commercialization funding for every dollar invested through this program. Although the federal SBIR grant program has increased efforts to move companies through grant awards to commercial product sales, funds have not been dedicated towards these efforts. HB 1069 would allow HTDC to provide the necessary support of a commercialization assistance program.

We request that the bill be amended to keep section (c) which defines the rules for administering the matching grant program. For clarification, we request that the following should remain in the statute:

- (c) The development corporation shall adopt rules pursuant to chapter 91 that:
 - (1) Specify the qualifications for eligibility of grant applicants;
 - (2) Establish priorities in determining eligibility in the event that insufficient funds are available to fund otherwise qualified applicants; and
 - (3) Give preference to all qualified businesses receiving their first award in one fiscal year over multiple award grantees.

The development corporation may adopt any other rules pursuant to chapter 91 necessary for the purposes of this section.

Thank you for the opportunity to testify.

Written Statement of
ROBBIE MELTON
Executive Director & CEO
High Technology Development Corporation
before the
HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS
Tuesday, February 3, 2015
9:00 a.m.
State Capitol, Conference Room 312
In consideration of

HB1069 RELATING TO TECHNOLOGY.

Chair Kawakami, Vice Chair Kong, and Members of the Committee on Economic Development & Business.

The High Technology Development Corporation (HTDC) **supports with requested amendments** HB 1069 expanding the Hawaii SBIR matching grant program to phase 2 and 3.

HTDC has been assisting Phase I SBIR awarded companies since 1989 and continues to do so each year. For every dollar invested through this program, Hawaii companies have attracted 20 federal dollars in return to the state, plus commercialization funding. The federal SBIR grant program has increased their efforts to move companies through grant awards to commercial product sales. However, the federal SBIR program has not dedicated additional funds towards these efforts. HB1069 allows HTDC the opportunity to further assist these companies in the SBIR path to getting their product to market. Along with the matching grant funding, HTDC comments that companies require the support of a commercialization assistance program.

HTDC requests the bill be amended to keep section (c) which defines the rules for administering the matching grant program. For clarification, we request the following should remain in the statute:

- (c) The development corporation shall adopt rules pursuant to chapter 91 that:
- (1) Specify the qualifications for eligibility of grant applicants;
 - (2) Establish priorities in determining eligibility in the event that insufficient funds are available to fund otherwise qualified applicants; and
 - (3) Give preference to all qualified businesses receiving their first award in one fiscal year over multiple award grantees.

The development corporation may adopt any other rules pursuant to chapter 91 necessary for the purposes of this section. Thank you for the opportunity to offer these comments.



Written Statement of
DR. PATRICK K. SULLIVAN
PRESIDENT/CEO OCEANIT

Before the
HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS

February 3, 2015

9:00 a.m.

State Capitol, Conference Room 312

In Support of

HB1069 RELATING TO HIGH TECHNOLOGY

To: Chair Derek S.K. Kawakami, Vice Chair Sam Satoru Kong, and Members of the Committee

From: Dr. Patrick K. Sullivan, President/CEO

Re: Testimony in Support of HB1069

Honorable Chair, Vice-Chair and Committee Members:

Thank you for the opportunity to submit testimony **in support of HB1069**

The technology industry in Hawaii has grown over the past 10 years and has made significant strides towards achieving the goal of diversifying and stimulating Hawaii's economy.

Early stage support has been made available to "start up" companies, through state support of "accelerators". These accelerators provide mentoring and modest financial support to kick start a business.

Other companies that are developing cutting edge technologies rely on federal support through the Small Business Innovation Research ("SBIR") grant program, which encourages and funds early stage ideas and innovations. The technology risk level for these programs are often high and untested. Great ideas emerge from this early stage funding, and these ideas and technologies are vetted and competed at a national level. However, with the level of funding that is provided in a SBIR Phase I grant, there is barely enough money to demonstrate proof-of-concept for a technology. The follow-on funding that is required is essential to move the technology towards prototyping, customer interface and development.

HB1069 would fill this critical "gap" in funding by supplementing the SBIR program, a program that has been tested by time. This funding gap (aka known as the "valley of death") is an acute problem in Hawaii due to our immature capital market support. Investment capital for technology in Hawaii faces critical challenges because this industry is still in the early stages of development in Hawaii, and there is a general lack of historical investment into this arena. This creates tremendous hurdles to the evolution of this industry.

Over the last several years, much attention was given to the development of software start-ups and social media as an industry. This has been an attractive industry as it requires little to no start-up capital and has low barriers to entry. Today, the leading tech arenas in the nation have found that the need to support “hard tech” is still required in order to maintain a vital, stable and critical part of the economic infrastructure. This industry is in flux, and most in Silicon Valley would agree that the days of these easy start-ups are gone. The focus is once again on developing cutting edge technology – development that requires longer timeframes, and significantly more capital investment.

HB1069 will leverage the Hawaii Technology Development Corporation’s (HTDC) grant program, which has been in place since 1983. The purpose of the program has been to match SBIR Phase I grants. Phase I grants cover early stage ideas and technology development. Proposal topics are developed by agencies to address areas of national need. Proposals are vetted nationally and are extremely competitive. Ideally, a successful Phase I project will be able to show “proof of concept”. More often than not - this usually means proof on paper – there is not enough funding in these early stage grants to actually develop or test a prototype.

HB1069 would broaden the existing program by adding a matching grant component to mid- to later- stage funding at the SBIR Phase 2 or Phase 3 stages to support the development of working prototypes that stem out of these technologies. This would fill a large gap in the technology development process and would promote the maturation and commercialization of novel technologies.

The objectives of this bill are:

- To act as a bridge across the “valley of death” and to assist in commercializing research discoveries for societal benefit;
- To support economic growth and the diversification of our economy;
- To launch new ventures based on technology innovations; and
- To support the growth of the tech industry and the creation of intellectual property and innovation in the State.

We strongly urge you to support of HB1069 and we appreciate your continued support of the technology industry.

Hawaii Evolutionary Development, LLC
2221 Seaview Avenue
Honolulu, HI 96822

LATE

Written Statement of Dr. Tak Sugimura VP Hawaii Evolutionary Development

Before the
HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS
February 3, 2015
9:00 a.m.
State Capitol, Conference Room 312
In Support of
HB1069 RELATING TO HIGH TECHNOLOGY

Honorable Chair Kawakami, Vice-Chair Kong and Members of the Committee:

Thank you for the opportunity to submit testimony in **STRONG SUPPORT** of **HB 1069**.

The technology industry in Hawaii has grown over the past ten years and has made significant strides toward achieving the goal of diversifying Hawaii's economy. Many companies compete for federal support through the Small Business Innovation Research (SBIR) grant program, which encourages and funds early stage ideas and innovations. While Phase I funding under the program has provided support for research activities of fledgling Hawaii companies, its use is limited to research, and does not provide any funds for these companies to move past the research and development (R&D) stage onto the commercialization stage that would not only support economic growth and diversification of our economy, but would also go far in creating good paying jobs and reducing the "brain drain" that has afflicted our state for far too long.

From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 02, 2015 7:40 PM
To: edbtestimony
Cc: todd@hyperspective.com
Subject: Submitted testimony for HB1069 on Feb 3, 2015 09:00AM

LATE

HB1069

Submitted on: 2/2/2015

Testimony for EDB on Feb 3, 2015 09:00AM in Conference Room 312

Submitted By	Organization	Testifier Position	Present at Hearing
Todd Robertson	Hyperspective Studios, Inc.	Support	No

Comments: Hyperspective supports HB 1069 for the following reasons: 1. The Bill is important to the technology community but even more meaningful to individual companies as this measure supports direct investment to companies. 2. Companies will be held accountable to ensure success of the program and required to meet identified metrics for success. 3. The bill would help establish a profitable, self-sustaining technology industry, not solely reliant on venture capital, and enhance the probability that companies will stay in Hawaii. 4. The focus on commercial sales and local manufacturing will fill the technology cycle and enhance opportunities for broad workplace skills to participate in the technology sector. 5. The Center is not "high tech" only and will support broad economic engines such as Agriculture, Visitor, Medical, and position Hawaii as a gateway for technology commercialization to the Asia-Pacific region. 6. Company successes means creation of technology jobs.

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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kong2 - Brenden

From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 02, 2015 9:00 PM
To: edbtestimony
Cc: achung@navatekltd.com
Subject: *Submitted testimony for HB1069 on Feb 3, 2015 09:00AM*

HB1069

Submitted on: 2/2/2015

Testimony for EDB on Feb 3, 2015 09:00AM in Conference Room 312

LATE

Submitted By	Organization	Testifier Position	Present at Hearing
ann chung	Navatek Ltd.	Support	Yes

Comments:

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L A T E



Written Statement of Michael Pfeffer, CEO, Ibis Networks

Before the
HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS

February 3, 2015

9:00 a.m.

State Capitol, Conference Room 312

In Support of

HB1069 RELATING TO TECHNOLOGY

LATE

Honorable Chair Kawakami, Vice-Chair Kong and Members of the Committee:

Thank you for the opportunity to submit testimony in **STRONG SUPPORT** of **HB 1069**.

The technology industry in Hawaii has grown over the past ten years and has made significant strides toward achieving the goal of diversifying Hawaii's economy. Many companies compete for federal support through the Small Business Innovation Research (SBIR) grant program, which encourages and funds early stage ideas and innovations. While Phase I funding under the program has provided support for research activities of fledgling Hawaii companies, its use is limited to research, and does not provide any funds for these companies to move past the research and development (R&D) stage onto the commercialization stage that would not only support economic growth and diversification of our economy, but would also go far in creating good paying jobs and reducing the "brain drain" that has afflicted our state for far too long.

A spin-off of Oceanit, Ibis Networks is poised and ready to take that leap from pure R&D to true commercialization. As beneficiaries of seed investors and a grant from the Office of Naval Research via the Energy Exelerator program, as well as the support of Oceanit, we have successfully managed our resources to not only peak the interest of potential Series A investors, but have also been able to expand our team, including the recent employment of an exceptional new graduate of the University of Hawaii who, not coincidentally, was one of Oceanit's interns. Thus, the growth of our company speaks to the potential for Hawaii startups to help in the diversification and strengthening of Hawaii's economy as well as to play a big role in reducing the "brain drain."

This is why we **STRONGLY SUPPORT HB 1069**, which would expand the state matching funds for Phases II and III of the federal SBIR program to provide support for the commercialization activities of local start-up companies like ours. Not only would this expansion of funding increase the level of federal monies to our State, it would go far in ensuring that our keiki have good paying jobs here at home.

Again, thank you for the opportunity to testify.



To: HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS

February 3, 2015 9:00 a.m.

State Capitol, Conference Room 312

In **SUPPORT** of **HB1069 RELATING TO HIGH TECHNOLOGY**

From: Vincent Kimura, Managing Partner, Inovi Technologies

Honorable Chair Kawakami, Vice-Chair Kong and Members of the Committee:

This is my testimony in **STRONG SUPPORT** of **HB 1069**.

Over the past 5 years we have worked hand-in-hand with dozens of technology companies in Hawaii. The movement of the technology industry has made significant strides toward achieving the goal of diversifying Hawaii's economy. The realization that many, if not all of these companies, must be competitive in both commercial and military sectors has focused and highlighted the dual-use community. Many companies compete for federal support through the Small Business Innovation Research (SBIR) grant program, which encourages and funds early stage ideas and innovations. While Phase I funding under the program has provided support for research activities of fledgling Hawaii companies, its use is limited to research, and does not provide any funds for these companies to move past the research and development (R&D) stage onto the commercialization stage that would not only support economic growth and diversification of our economy, but would also go far in creating good paying jobs and reducing the "brain drain" that has afflicted our state for far too long.

While my company has not yet successfully received SBIR phase funding, it is definitely in our short and long term goals and will continue to apply our innovations down these funding avenues. We **STRONGLY SUPPORT HB 1069**, which would expand the state matching funds for Phases II and III of the federal SBIR program to provide support for the commercialization activities of local start-up companies like ours. Not only would this expansion of funding increase the level of federal monies to our State, it would go far in ensuring that our keiki have good paying jobs here at home.

Respectfully submitted,

Vincent Kimura

Written Statement of

**DAVID G. WATUMULL, PRESIDENT/CEO
CARDAX, Inc.**

Before the
HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS
February 3, 2015
9:00 a.m.
State Capitol, Conference Room 312
In Support of
HB1069 RELATING TO HIGH TECHNOLOGY

To: Chair Derek S.K. Kawakami, Vice Chair Sam Satoru Kong, and Members of the Committee

From: David G. Watumull, President and CEO of Cardax, Inc.

Testimony in Support of HB1069

Honorable Chair, Vice-Chair and Committee Members:

Thank you for the opportunity to submit testimony **in support of HB1069**

This Bill is important to the technology community for many reasons covered in the bill itself and in other testimony.

Cardax, Inc. is a Hawaii based biopharmaceutical company developing a new class of anti-inflammatory consumer and pharmaceutical products. It has raised more than \$36 million for its technology since 2002 and has recently gone public. Its partners include the world's largest chemical company, BASF, and Pfizer spin-out Capsugel.

But, an important consideration not often mentioned is that this credit provides a strong rationale to potential Mainland funding sources for conducting research in Hawaii. Why? Because it helps answer the question: "Why should this company be in Hawaii?" The research credit provides a concrete, measurable, and undeniable answer.

LATE

Written Statement of Seibert Murphy, CEO, Guide Star Engineering, LLC

Before the
HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS
February 3, 2015
9:00 a.m.
State Capitol, Conference Room 312
In Support of
HB1069 RELATING TO HIGH TECHNOLOGY

Honorable Chair Kawakami, Vice-Chair Kong and Members of the Committee:

Thank you for the opportunity to submit testimony in **STRONG SUPPORT** of HB 1069.

The technology industry in Hawaii has grown significantly over the years and is a qualified success in helping to diversify Hawaii's economy. Part of that success is due to activities as a result of the Small Business Innovation Research (SBIR) grant program.

The program encourages and funds early stage ideas and innovations. While Phase I funding under the program has provided support for research activities of fledgling Hawaii companies, its use is limited to research. It does not provide any funds for these companies to move past the research and development (R&D) stage onto the commercialization stage. That is why I petition the State to make a bold step and back the technology businesses community by passing this legislation.

I **STRONGLY SUPPORT** HB 1069, which would expand the state matching funds for Phases II and III of the federal SBIR program to provide support for the commercialization activities of local start-up companies like ours. Not only would this expansion of funding increase the level of federal monies to our State, it would go far in ensuring that our keiki have good paying jobs here at home and their impact will be felt across the globe.

Again, thank you for the opportunity to testify.

Sincerely,

Seibert Murphy
CEO